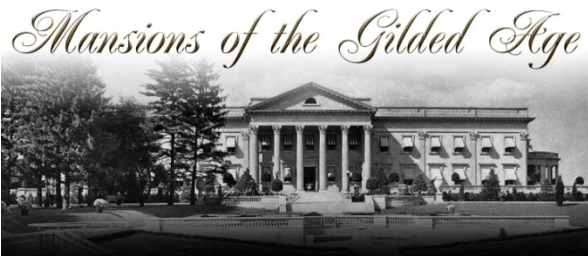


# Why We're in a New Gilded Age

By [Paul Krugman](#)

<http://www.commondreams.org/view/2014/04/11-6>



Thomas Piketty, professor at the Paris School of Economics, isn't a household name, although that may change with the English-language publication of his magnificent, sweeping meditation on inequality, *Capital in the Twenty-First Century*. Yet his influence runs deep. It has become a commonplace to say that we are living in a second Gilded Age—or, as Piketty likes to put it, a second *Belle Époque*—defined by the incredible rise of the “one percent.” But it has only become a commonplace thanks to Piketty's work. In particular, he and a few colleagues (notably Anthony Atkinson at Oxford and Emmanuel Saez at Berkeley) have **pioneered statistical techniques that make it possible to track the concentration of income and wealth deep into the past**—back to the early twentieth century for America and Britain, and all the way to the late eighteenth century for France.

**The result has been a revolution in our understanding of long-term trends in inequality.** Before this revolution, most discussions of economic disparity more or less ignored the very rich. Some economists (not to mention politicians) tried to shout down any mention of inequality at all: “Of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution,” declared Robert Lucas Jr. of the University of Chicago, the most influential macroeconomist of his generation, in 2004. But even those willing to discuss inequality generally focused on the gap between the poor or the working class and the merely well-off, not the truly rich—on college graduates whose wage gains outpaced those of less-educated workers, or on the comparative good fortune of the top fifth of the population compared with the bottom four fifths, not on the rapidly rising incomes of executives and bankers.

It therefore came as a revelation when Piketty and his colleagues showed that incomes of the now famous “one percent,” and of even narrower groups, are actually the big story in rising inequality. And this discovery came with a second revelation: talk of a second Gilded Age, which might have seemed like hyperbole, was nothing of the kind. In America in particular the share of national income going to the top one percent has followed a great U-shaped arc. Before World War I the one percent received around a fifth of total income in both Britain and the United States. By 1950 that share had been

cut by more than half. But since 1980 the one percent has seen its income share surge again—and in the United States it's back to what it was a century ago.

Still, today's economic elite is very different from that of the nineteenth century, isn't it? Back then, great wealth tended to be inherited; aren't today's economic elite people who earned their position? Well, Piketty tells us that this isn't as true as you think, and that in any case this state of affairs may prove no more durable than the middle-class society that flourished for a generation after World War II. The big idea of *Capital in the Twenty-First Century* is that we haven't just gone back to nineteenth-century levels of income inequality; we're also on a path back to "patrimonial capitalism," in which the commanding heights of the economy are controlled not by talented individuals but by family dynasties.

It's a remarkable claim—and precisely because it's so remarkable, it needs to be examined carefully and critically. Before I get into that, however, let me say right away that Piketty has written a truly superb book. It's a work that melds grand historical sweep—when was the last time you heard an economist invoke Jane Austen and Balzac?—with painstaking data analysis. And even though Piketty mocks the economics profession for its "childish passion for mathematics," underlying his discussion is a tour de force of economic modeling, an approach that integrates the analysis of economic growth with that of the distribution of income and wealth. This is a book that will change both the way we think about society and the way we do economics.

*Paul Krugman is professor of Economics and International Affairs at Princeton University and a regular columnist for The New York Times. Krugman was the 2008 recipient of the Nobel Prize in Economics. He is the author of numerous books, including **The Conscience of a Liberal**, **The Return of Depression Economics**, and his most recent, **End This Depression Now!***

Read the full essay at the **[New York Review of Books](#)**